



National Business Association
First Step Review Handbook



The National Business Association (NBA) is a not for profit association, specifically designed and actively managed to assist the self-employed and small business community in achieving their professional goals. The NBA uses its group buying power to provide our members with support programs, cost and time saving products, services and valuable small business resource materials.

In 1982, the National Business Association (NBA), a non-profit organization for the Self-Employed, Small Business Owners, Entrepreneurs and professionals, was founded. The NBA continuously strives to provide its members with vital support programs, cost and time saving products and services in the areas of Business, Lifestyle, Education, and Health.

In addition to the various support programs available to NBA members, the NBA also maintains close working relationships with organizations throughout the nation that assist the Self-Employed and Small Business Community. The NBA's affiliation with the SBA in Washington, D.C., as well as its regional and district offices nationwide is instrumental in the association's success. The NBA is highly supportive of the SBA's major programs, the Association of Small Business Centers (ASBDC) and the Service Corps of Retired Executives (SCORE) chapters. The association assists SCORE offices in various ways, as well as co-sponsoring forums and seminars to provide a means of education and training to the Self-Employed, Small Business Owners and Entrepreneurs everywhere.

The Story of the "Keystone"

The keystone, an architectural wonder designed by the Romans, is the one critical or "key" stone in an arch that holds the two sides together. Without the support of the keystone, the arch could not remain standing. The NBA chose the arch with the keystone to represent the NBA's role as the critical or "key" element linking small businesses with support programs, resources, and benefits to ensure personal and professional success. The NBA is striving to be successful in its mission to bring together the small business community and the self-employed in the free enterprise system.

Did First Step help you? If so, say so - give us a "Like" on our Facebook page located on our website at www.nationalbusiness.org

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Why is NBA Offering First Step Review?

In recognition of the importance of small business to a strong economy, the National Business Association has developed First Step Review to help meet the informational needs of existing business owners and aspiring entrepreneurs.

What is the First Step Review?

First Step Review is a screening tool that helps smaller businesses (with less than 100 employees and annual sales of less than \$5 million) determine the likelihood of qualifying for a SBA guaranteed loan. If your score is 70 or greater on First Step, then the next step would be to find a lender who is SBA certified for loans. However, if your score is less than 70 on First Step, your next step would be to find a counselor at your local Small Business Administration (SBA), Small Business Development Center (SBDC) or Service Corps of Retired Executives (SCORE) offices who can provide help with bettering your position and score.

Who Funds the Loan?

Loans come from local lenders, not the SBA; the SBA helps by guaranteeing a major portion of the loans to reduce the risk to lenders. Your local SBDC, SCORE chapter, or SBA office should be able to help you find a lender. A listing of certified lenders is available at your local SBDC, SCORE, or SBA office. Local offices should also be able to help you gain a better understanding of the criteria and steps necessary to qualify for a loan.

How to Use this Handbook

This handbook was designed as a tool to help you familiarize yourself with the First Step Review program. It is designed to be used in a classroom or workshop setting either in a group setting or a one-on-one session with a counselor or loan officer. Please complete all sections on this manual prior to taking the First Step Review online or your personal computer.

Computer/System Requirements

First Step Review requires version 4.0 or higher of Internet Explorer or Netscape. (If you need to upgrade, these browsers are available for free at their Home pages.)

You can also Download the First Step Review and run it on your local computer. (*NOTE: print and e-mail functions won't work without an Internet Connection*). Otherwise, select "Next" below to complete an online version of First Step Review.

Please understand that First Step Review is a screening tool for you to prepare for visits to your lender. Your lender and the SBA will need clear evidence to support your answers, so overstating answers on First Step will not be in your best interest.

Company Background

Step One

Answer two qualifying questions to make sure you are eligible for the loan program.

1. Do you have less than 100 employees in your business?

Yes No

(If over 100, it does not qualify for some programs.)

2. Is the average annual sales of your company over the past three years under \$5 million?

Yes No

(If average annual sales for the preceding three years exceeds \$5 million, it does not qualify for some programs.)

Step Two:

Fill out the following background information for your business. This is the essential data that a bank will need to know in order to begin the loan process. To save both you and the bank valuable time, please fill out the following information and print this page for your records before you proceed to the next section.

Last Name	
First Name	
Middle Initial	
Company Name	
Address	
City	
State	
Zip Code	
Phone	
Email	
Website	

Type of Business:

Choose one: Corporation Sole Proprietor Partnership

If Corporation: Limited Liability Company Subchapter S Other

If Partnership: Limited Other

Do you have a written agreement? Yes No

Loan Amount:

Please enter numerical numbers rounded to nearest dollar and omit punctuation, for example: for \$100,000.00, please enter 100000.

Loan Amount: _____

List how you are allocating the loan proceeds, place each item and amount on a separate line. For example, if you are spending \$40,000 on equipment, place "Equipment, \$40,000" on one line. *This box is for your use only. The bank will need to know how you are allocating the funds.

Description	Amount

Step Three:

Press "Send Amount" to record your loan amount.

Step Four:

Print this page for your records before proceeding. This is the essential data that a bank will need to know in order to begin the loan process.

Step Five:

After you have printed your company background, please proceed to the next section by clicking on "Management" in the left-hand column or the arrow to the right.

Management Experience

Step One:

Please select one answer for each of the following questions.

1. Have you had any management training?

- Yes No
-

2. Do you have any management experience?

- Yes No
-

3. How many years of management experience do you have in the type of business the loan will benefit?

- None 1-2 Years 3-4 Years 5-6 Years 7+ Years
-

4. Do you have an experienced, successful management force assisting you?

- Yes No

If you do not have management experience related to this type of business and you do not have an experienced, successful management force assisting you, chances of finding a lender may not be very good.

5. If you are going to manage the business, will you do it as a full-time venture?

- Yes No
-

Step Two:

Press "Send Score" and your management score will be placed in the left-hand frame.

Step Three:

Print this page for your records.

Step Four:

After you have printed your management experience information, please proceed to the next section by clicking on "Credit" in the left-hand column or the arrow to the right.

Credit History

Step One:

Please select one answer for each of the following questions. If you answer "No" to question two, please skip to question five.

1. Have you defaulted on a loan?

- Yes No
-

2. Have you previously filed for bankruptcy?

- Yes No

* If yes to No. 2, was the bankruptcy more than 7 years ago?

- Yes No

* If yes to No. 2, was the bankruptcy paid back in full?

- Yes No
-

3. Have you ever been a cosigner for someone's loan?

- Yes No
-

4. Do you have a record of on-time payments for the last three years?

- Yes No
-

5. How many loans were repaid on-time in the last three years?

- 0 1 - 2 3+
-

6. Do you have a good working relationship with your bank?

- Yes No
-

7. Has your bank responded well to other personal or business ventures?

- Yes No

If no, please explain:

Step Two:

Press "Send Score" and your credit score will be placed in the left-hand frame.

Step Three:

Print this page for your records.

Step Four:

After you have printed your credit history, please proceed to the next section by clicking on "Repayment" in the left-hand column or the arrow to the right.

Repayment Ability

Step One:

Fill in the first two boxes of the following table, then press "Compute" to calculate your projected monthly payment. In the "# of Payments" box, make sure you list the total number of payments and not the number of years. If your loan is for 15 years, your number of payments would be 180. Please enter numbers rounded to nearest dollar and omit punctuation, for example: for \$100,000.00, please enter 100000.

Loan Amount must be entered from beginning of worksheet.

# of Monthly Payments	
Interest Rate (%)	
Payment	

Step Two:

Answer the following questions.

1. Projected monthly net profit (after ALL expenses) before taxes.

2. Now compare your monthly payment with your projected net profit. Will your future profits provide for the repayment?

Yes No

3. Do you have a well-written developed business plan?

- Yes No

If yes, has someone knowledgeable about business reviewed and commented about your plan?

- Yes No

If suggestions for improving the plan were made, did you adopt any of the suggestions?

- Yes No

If no, following are several resources for writing and improving your business plan: SBA Business Plans and SCORE: 'Templates for Your Business'. When you are finished reviewing the websites, simply close the window. Each of the links initiates a new window.

4. Is there enough profit for you to live on?

- Yes No

If no, can you make additional money from other means to survive until the business can provide a livable existence?

- Yes No
-

Step Three:

Press "Send Score" and your Repayment Ability score will be placed in the left-hand screen.

Step Four:

Print this page for your records.

Step Five:

After you have printed your repayment ability information, please proceed to the next section by clicking on "Equity" in the left-hand column or the arrow to the right.

Equity

Equity is the difference between your business assets and business debts. If you have nothing left over after paying all of your debts of the business, then you have no equity. Generally, lending institutions want to see that the applicant has equity (assets minus debt) of at least one half of the organization's total debt, including the loan amount.

Step One:

List all assets. Please enter numerical numbers rounded to nearest dollar and omit punctuation, for example: for \$100,000.00, please enter 100000. Make sure you list the assets the loan will provide. For example, if you plan on purchasing a parcel of land with the loan - list it as real estate.

Category	Amount \$
Cash	
Cash Value Life Insurance	
Accounts/Notes Receivable	
Real Estate	
Equipment	
Personal Property	
Inventory	
Listed Securities	
Unlisted Securities	
Other	

Step Two:

List all business debts. Please enter numerical number rounded to nearest dollar and omit commas in large numbers, for example: for \$100,000, please enter 100000.

Category	Amount \$
Account and Bills Due	
Cash Value Life Insurance Loans	
Secured Debt Due Banks	
Unsecured Debt Due Banks	
Accrued Taxes	
Real Estate Mortgages	
Real Estate - Partial Interest	
Secured Debt Due Others	
Unsecured Debt Due Others	
Other	
Loan Amount	

Step Three:

Press "Calculate Equity" to tabulate your equity total. This is a percentage based on the number that you provided. Then Press "Calculate Equity Ratio" to tabulate your Debt to Equity Ratio.

Assets Needed to Score 5 with Your Total Business Debts:	
Assets Needed to Score 12 with Your Total Business Debts:	
Assets Needed to Score 20 with Your Total Business Debts:	

Step Four:

Press "Send Score" and your Equity score will be placed in the left-hand frame.

Step Five:

Print this page for your records.

Step Six:

After you have printed your equity information, please proceed to the next section by clicking on "Collateral" in the left-hand column or the arrow to the right.

Collateral

Collateral is the property, cash or other valuables that you will put up as security for the loan. If you fail to meet your loan obligations, the lending institution will probably take possession of the collateral securing the loan to help pay it off. The lender will put a value less than yours on your collateral. To give you a better idea of the value of your collateral, we have calculated the collateral as a lending institution would. You start receiving points when your collateral is worth 40 percent of the loan.

Step One:

List all collateral. Please enter numerical numbers rounded to nearest dollar and omit punctuation, for example: for \$100,000.00, please enter 100000. If you place a comma in the numbers, "NaN" will show up in the total box. Then press "Total Value." The Review will calculate the total value of your collateral. The total IS NOT all the values added together, other factors like market value and depreciation have been taken into consideration.

Category	Amount \$
Commercial Real Estate	
Residential Real Estate	
Computer Equipment	
Other Equipment	
Certificates of Deposit	
Stocks and Bonds	
Inventory	
Cash/Accounts/Notes	
Other	

"To secure the loan, the borrower must pledge available business and personally owned assets. Loans are not declined when inadequate collateral is the only unfavorable factor. Personal guaranties of the principals are required." --Small Business Administration

If you own your home, would you be willing to put your home up as collateral?

Yes

No

Step Two:

Press "Calculate Percentage." This number represents the percentage of collateral you have versus the loan amount.

Loan Amount:	
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Step Three:

Press "Send Score" and your Collateral Score will be placed on the left-hand frame.

Step Four:

Print this page for your records.

Step Five:

After you have printed your collateral information, please proceed to the next section by clicking on "Score" in the left-hand column or the arrow to the right.

Glossary of Terms*

Accounts Receivable: Accounts receivable represent money owed by entities to the firm on the sale of products on credit. In most business entities, accounts receivable is typically executed by generating an invoice and either mailing or electronically delivering it to the customer, who, in turn, must pay it within an established timeframe, called credit terms or payment terms. Accounts receivable departments use the sales ledger.

Accrued Taxes: Amount of taxes owed, based on income earned or a property value assessment, but not yet paid. Taxes that the company owes and has not paid yet. They are listed on a company's balance sheet.

Asset: In financial accounting, assets are economic resources. Anything tangible or intangible that is capable of being owned or controlled to produce value and that is held to have positive economic value is considered an asset. Simply stated, assets represent ownership of value that can be converted into cash (although cash itself is also considered an asset) ¹

Bankruptcy: Bankruptcy or insolvency is a legal status of a person or an organization that cannot repay the debts it owes to its creditors. Creditors may file a bankruptcy petition against a business or corporate debtor ("involuntary bankruptcy") in an effort to recoup a portion of what they are owed or initiate a restructuring. In the majority of cases, however, bankruptcy is initiated by the debtor (a "voluntary bankruptcy" that is filed by the insolvent individual or organization). An involuntary bankruptcy petition may not be filed against an individual consumer debtor who is not engaged in business.¹

Bonds: In finance, a bond is a debt security, in which the authorized issuer owes the holders a debt and, depending on the terms of the bond, is obliged to pay interest (the coupon) and/or to repay the principal at a later date, termed maturity. A bond is a formal contract to repay borrowed money with interest at fixed intervals.

Thus a bond is like a loan: the issuer is the borrower (debtor), the holder is the lender (creditor), and the coupon is the interest. Bonds provide the borrower with external funds to finance long-term investments, or, in the case of government bonds, to finance current expenditure. Certificates of deposit (CDs) or commercial paper are considered to be money market instruments and not bonds.¹

Business Plan: A business plan is a formal statement of a set of business goals, the reasons why they are believed attainable, and the plan for reaching those goals. It may also contain background information about the organization or team attempting to reach those goals.¹

Cash: In common language cash refers to money in the physical form of currency, such as banknotes and coins. In bookkeeping and finance, cash refers to current assets

comprising currency or currency equivalents that can be accessed immediately or near-immediately (as in the case of money market accounts).¹

Cash Value Life Insurance: Permanent life insurance is a form of life insurance such as whole life or endowment, where the policy is for the life of the insured, the payout is assured at the end of the policy (assuming the policy is kept current) and the policy accrues cash value.¹

Certificate of Deposit: A certificate of Deposit or CD is a time deposit, a financial product commonly offered to consumers by banks, thrift institutions, and credit unions.¹

Commercial Real Estate: The term commercial property (also called investment or income property) refers to buildings or land intended to generate a profit, either from capital gain or rental income.¹

Company Background: Concise description which, among other items of information, includes (1) firm's history, (2) number and quality of its human, financial, and physical resources (3) organizational and management structure, (4) past, current and anticipated performance, and (5) its reputation, and the standing of its goods or services.²

Corporation (C Corporation): The standard corporation, or C corporation, is a separate legal entity owned by shareholders. You form the corporation by filing incorporation documents with a state and paying the related filing fees. The corporate structure limits each owner's (shareholder's) personal liability for the corporation's business debts to the amount invested in the company by the shareholder. ³

Corporation (S Corporation): An S corporation is a standard corporation that has elected a special tax status with the IRS. The formation requirements are the same as those for C corporations: incorporation documents must be filed with the state and appropriate filing fees paid. The S corporation's special tax status eliminates the double-taxation that can occur with a C corporation's income. A corporate income tax return is filed, but no tax is paid at the corporate level. Instead, business profits or losses "pass-through" to shareholders and are then reported on their individual tax returns. Any tax due is paid by shareholders at their individual tax rates. ³

Credit History: Credit history or credit report is, in many countries, a record of an individual's or company's past borrowing and repaying, including information about late payments and bankruptcy. The term "credit reputation" can either be used synonymous to credit history or to credit score.¹

Equipment: Tangible property (other than land or buildings) that is used in the operations of a business. Examples of equipment include devices, machines, tools, and vehicles.²

Inventory: A firm's merchandise, raw materials, and finished and unfinished products which have not yet been sold.

Listed Security: Investment instrument (such as stock/shares, bonds) that is officially listed (quoted) on a stock exchange for public trading. Unlisted securities are traded (in the US) in over the counter market or (in the UK) in alternative investment market. Also called listed investment or quoted security.²

LLC: The limited liability company (LLC) offers an alternative to corporations and partnerships by combining the corporate advantage of limited liability protection with the partnership advantage of pass-through taxation. With this tax status, the LLC's income is not taxed at the entity level; however, the LLC typically completes a partnership return if the LLC has more than one owner. The LLC's income or loss is passed through the LLC and reported on owners' individual tax returns. Tax is then paid at the individual level.³

Net Profit: Gross profit minus all operating costs not included in the calculation of gross profit (wages, overheads, and depreciation) – basically the “bottom line.”

Partnerships: There are three relatively common partnership types: general partnership (GP), limited partnership (LP) and limited liability partnership (LLP). A fourth, the limited liability limited partnership (LLLLP), is not recognized in all states.³

Real Estate: Land and anything fixed, immovable, or permanently attached to it such as appurtenances, buildings, fences, fixtures, improvements, roads, shrubs and trees (but not growing crops), sewers, structures, utility systems, and walls. Title to real estate normally includes title to air rights, mineral rights, and surface rights which can be bought, leased, sold, or transferred together or separately. Also called real property or realty. ²

Unlisted security: Ordinary shares (common stock) or other securities of a firm not listed (traded) on any official exchange. In the US, unlisted securities are traded in over- the-counter market and in the UK they are traded on the Alternative Investment Market. Such securities are issued usually by smaller or new firms who cannot or do not wish to comply with the listing requirements of an official exchange.²

Unsecured Debt: Debt offering (such as a bond, debenture, or promissory note) that is backed only by the reputation and creditworthiness of the issuer, but is not secured by any collateral security.²

1 - Wikipedia – www.wikipedia.com

2 - Business Dictionary – www.businessdictionary.com

3 - Biz Filings – www.bizfilings.com

**Terms are defined in context of First Step Review, based on research and third party sources and should not be considered as legal definitions or fact. Please consult with a legal or tax professional if you have any questions or need advice.*

Helpful Resources

U.S. Small Business Administration – www.sba.gov

Created by Congress in 1953 to help America's entrepreneurs form successful small enterprises. Today, the SBA program in each state offers financing, training, and advocacy for small firms. As a 21st Century Leading Edge Financial Institution, the SBA will provide great service and utilize productive partnerships in providing innovative, cost-effective, and electronically accessible credit to those that need it the most. As a spokesperson and strong advocate for those small businesses that need it the most, the SBA will increase its outreach, marketing, business development and use of electronic tools to create procurement opportunities for small businesses - especially small disadvantaged and women-owned businesses.

Association of Small Business Development Centers – www.asbdc-us.org

The Association of Small Business Development Centers (ASBDC) represents America's Small Business Development Center Network -- the most comprehensive small business assistance network in the United States and its territories. The mission of the network is to help new entrepreneurs realize the dream of business ownership, and to assist existing small businesses to remain competitive in the complex marketplace of an ever-changing global economy.

SCORE Association "Counselors to America's Small Business" – www.score.org

SCORE is the premier source for small business advice and mentoring in America. SCORE celebrates 46 years of volunteer service in 2010. Established October 5, 1964, SCORE is a nonprofit association dedicated to entrepreneur education and the formation, growth and success of small business nationwide. More than 13,000 volunteers at 350 chapters provide individual mentoring—in person and online—and business workshops for aspiring entrepreneurs and small business owners. SCORE is a resource partner with the U.S. Small Business Administration (SBA).

Contact Information



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